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A RURAL CREDIT PROGRAM

FARM OWNERSHIP LOANS



United States Department of Agriculture
Farmers Home Administration

FARM OWNERSHIP LOANS

- Enlarge Farms
- Buy Farms
- Improve Farms
- Nonfarm Enterprises
- Refinance Debts

The Farmers Home Administration makes and guarantees farm ownership loans, with technical management assistance provided to applicants who will operate not larger than family farms.

All loan funds are supplied from private sources. Guaranteed loans are made and serviced by a private lender, with FHA guarantee to the lender against undue loss.

Loans may be used to finance structures or farming enterprises that are consistent with local anti-pollution or environmental quality standards and regulations.

Each farm ownership loan is tailored to the individual borrower's needs. The lender or the Farmers Home Administration county supervisor helps the borrower analyze his situation, determine his available resources, and plan how these resources plus those obtained by the loan may best be used. Technical assistance is provided to help the borrower solve problems that arise in making major adjustments in his operations and in adopting improved business practices.

Every person who applies gets equal consideration without regard to his

race, color, creed, or national origin.

Applications from eligible veterans are given preference.

Farm Ownership loans may be made in participation with other lenders who supply a part of the needed loan funds.

How May Loan Funds Be Used?

Farm ownership loans may be used to buy or enlarge farms, to construct, improve, or repair farm homes and farm service buildings, to drill wells and otherwise improve water supply systems for home use, livestock, and irrigation, and to refinance debts.

In addition, these loans may be used to develop and improve farm land: clear and level land; establish and improve farm forests; provide drainage systems, carry out basic land treatment practices such as liming, and to make other improvements.

Loan funds also may be used to provide facilities to produce fish under controlled conditions and to finance nonfarm enterprises which will help farmers supplement their farm incomes—buy and develop land, construct buildings and other facilities, purchase equipment, and make other real estate improvements.

Nonfarm enterprises which may be financed on family farms include camping and swimming facilities, tennis courts, riding stables, vacation rental cottages, lakes and ponds for boating and fishing, docks, nature trails, picnic grounds, repair shops, roadside markets, souvenir shops, craft and wood or metal working facilities, and small grocery stores or service station facilities.

What Are The Terms And Interest Rate?

The interest rate is 5 percent per year on the unpaid principal. The maximum term is 40 years.

A borrower may make large payments in years of high income to build up a reserve that may keep the loan in good standing during years of low income.

Each borrower is expected to refinance the unpaid balance of the loan when it is financially feasible for him to rely solely on commercial credit sources.

Farm ownership borrowers are required to maintain their property, and pay taxes and property insurance premiums when due.

Who May Borrow?

To be eligible, an applicant must:

(1) *Have recent farm experience or training needed to succeed in the farming operation.*

(2) *Possess the character, industry, and ability to carry out the farm operation or the nonfarm enterprise.*

(3) *Manage and operate the farm or nonfarm enterprise.*

(4) *Be unable to obtain sufficient credit elsewhere at reasonable rates and terms to finance his actual needs.*

(5) *Be a citizen of the United States and of legal age.*

(6) *After the loan is made, be the owner-operator of a family farm that will produce a substantial portion of his total income.*

(7) *Be able to obtain operating capital, including livestock and equipment.*

(8) *Be an individual who must rely on farm income to have a reasonable standard of living.*

Where To Apply For A Loan?

Apply at the office of a commercial lender or the county Farmers Home Administration office serving the area where the property is located. If the office cannot be located in the local telephone directory under United States Department of Agriculture, write to Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

Who Determines Eligibility?

The county or area committee of the Farmers Home Administration determines the eligibility of applicants. The committee consists of three persons who know local farming and credit conditions and what it takes for success. Before acting on an application, the committee may ask the farmer and his wife to meet with them, or they may visit the farm.

If The Applicant Is Eligible, What's Next?

The applicant will be assisted by the lender or Farmers Home Administration County Supervisor in working out a plan to make the best use of land, labor, livestock, capital, and equipment. This plan will be a guide for the borrower and his family in determining the soundness of the proposed operation and to follow in operating the farm or nonfarm enterprise. Before a loan is made it must be clear that the borrower will have enough income to meet operating and family living expenses and to repay the loan and other debts. In all cases, labor must be

furnished primarily by the operator and his immediate family, except during seasonal peak-load periods.

What Else Is Involved?

In certain cases the county supervisor will assist the applicant in contacting his creditors to determine if his debts can be adjusted or consolidated and repayments extended over a longer period of time.

This credit service is designed to help those farmers who are in serious financial trouble and need assistance in working out the orderly settlement of their debts in line with their planned income.

Is Other Management Help Available?

Farm ownership loans are accompanied by technical advice to help borrowers make profitable use of their land and water, labor, capital, and other resources. The borrower receives advice in keeping accurate records of expenses and income and in budgeting and otherwise making wise use of income and credit. USDA agencies including FHA are available to help with management problems encountered by the borrower.

What Security Is Required?

Each loan will be adequately secured by real estate to protect the interests of the lender and the Government.

What Determines The Size Of Loan?

The loan may not exceed the market value of the farm minus any liens against the property that will remain outstanding, and may not exceed the amount certified by the county committee. An appraisal is made of the security property to determine its value.

The maximum Farm Ownership loan principal may not exceed \$100,000 and the combination of all debts against the security property may not exceed \$225,000.

May A Farmer With Other Income Qualify?

Yes, if he is otherwise eligible, has dependable nonfarm income, and otherwise meets the requirements.

Does It Cost Anything To Apply For A Loan?

No. If a loan is processed, however, the private lender of a guaranteed loan may charge a reasonable fee for service, appraisal, and legal services.

What Other Loans Does FHA Make?

Loans may also be made to buy livestock and equipment and pay farm and home operating expenses, convert farms to outdoor recreational enterprises, build and improve rural homes

and essential farm service buildings, provide rental housing, develop water supplies and carry out soil conservation measures, install rural water and waste disposal systems, develop watersheds, establish businesses, develop industry, and meet emergency credit needs of farmers suffering from a natural disaster.

Do Farm Ownership Loans Aid Rural Development?

Farm ownership loans help farm families acquire the resources and skills they need to improve their operations, raise their standards of living, increase their incomes, and participate in new enterprises. This assistance in turn stimulates business activity in neighboring towns and in general helps the farm families and the communities of which they are a part make an important contribution to the strength of the national economy.

May Non-Borrowers Obtain Financial Advice?

Yes. The lender or county supervisor will do all that they can to help a farmer find a solution to his financial problems. Sometimes it may only mean a close analysis of just how much a farmer can afford to borrow.

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